

Industry Circular



Internal Revenue Service

Alcohol and Tobacco Tax Division
Washington, D.C. 20224

Industry Circular No. 68-29

October 28, 1968

AMENDMENT OF 26 CFR PART 212

Proprietors of distilled spirits plants,
users of, and dealers in, specially
denatured spirits, and others concerned:

Purpose. This circular is issued to inform you of the provisions of Treasury Decision 6977 which was published in the Federal Register of October 24, 1968, and which amends 26 CFR Part 212, Formulas for Denatured Alcohol and Rum. The primary purpose of the Treasury decision, which will become effective February 1, 1969, is to provide formulas for specially denatured alcohol which will better meet the present-day needs and practical problems of the industries producing and using such alcohol.

Explanation of changes.

Alcohol of not less than 185 degrees of proof. Regulations provide that alcohol of 190, 192, or 200 degrees of proof shall, unless otherwise authorized by the Director, be used in the manufacture of all formulas of specially denatured alcohol. The changing needs of industry have led to such a number of special requests to the Director for authority to denature alcohol at other than the specified proofs, that the Treasury decision provides regulatory authority in § 212.15 to denature alcohol at proofs ranging from 185 to 200 degrees. The Treasury decision does not change provisions of regulations under which users submit (1) Form 1479-A, Formula for Article made with Specially Denatured Alcohol or Rum, in quadruplicate, to the Director, and specify the proof in item 10 of the form, and (2) Form 1485, Application and Withdrawal Permit of User to Procure Specially Denatured Spirits, in duplicate, and specify the proof at which the spirits are denatured when the proof is other than the usual 190 degrees.

SDA Formula No. 29. It has been found that ethyl acetate having an ester content of 100 percent is suitable as an authorized denaturant for Formula No. 29. Also, it was considered desirable to include in regulations certain directions, published in Revenue Procedure 65-3, for filing an application to use substitute denaturants in Formula No. 29, and, in response to a number of requests from industry, to restore to regulations the authorization to use Formula No. 29 in the manufacture of vinegar. These changes are reflected in §§ 212.39, 212.105, and 212.110.

SDA Formula No. 40. Regulations in 26 CFR Part 212 and authorizations in Revenue Rulings Nos. 66-8, 66-194, and 66-228 provide for the use of alternate denaturants or combination of denaturants in SDA Formula No. 40. The number of alternate denaturants which are used in making SDA Formula No. 40 have been the source of considerable confusion between suppliers and users and has made difficult the preparation of reliable statistics. To alleviate these conditions separate specially denatured alcohol formulas (identified as Formulas Nos. 40, 40-A, 40-B, and 40-C) have been provided. (§§ 212.57, 212.58-212.58b, 212.105, 212.110, 212.115.)

Additional uses for certain formulas. It has been determined that specially denatured alcohol Formula No. 23-A may be authorized for use in the manufacture of antiseptic solutions (U.S.P. or N.F.). Accordingly, antiseptic solutions (U.S.P. or N.F.), designated as Code No. 244, are included in the listing of authorized uses for Formula No. 23-A. (§ 212.30 and § 212.105.)

A number of requests had been received from industry for permission to use SDA Formula No. 30 in the manufacture of cellulose coatings and synthetic resin coatings. Since this could be done without jeopardy to the revenue, cellulose coatings designated as Code 011 and synthetic resin coatings designated as Code 012 are included in the listing of authorized uses for Formula No. 30. (§ 212.40 and § 212.105.)

Applications. Regulations in 26 CFR Part 212 have provided for the filing of an application to destroy stocks of specially denatured alcohol made under formulas later discontinued but do not specify the number of copies of the applications required. Section 212.3 has been amended to state the number of copies needed. The regulations also have provided that the Director could authorize (1) substitute denaturants in Formula No. 38-B; and (2) variations from the specifications for denaturants and for the use of substitute denaturants, but do not state the procedure to be followed. Sections 212.48 and 212.65 have been amended to incorporate in regulations the provisions of Revenue Procedure 65-3, by requiring the filing of an application, in duplicate, for such authorizations.

Sucrose octaacetate and Bitrex. The Treasury decision permits the addition of 1 pound instead of 5 pounds of sucrose octaacetate to every 100 gallons of alcohol in the production of SDA Formula No. 40-A, and also provides in regulations the authorization contained in Revenue Ruling No. 66-352 for the use in the production of specially denatured alcohol formulas for a purer, whiter form of sucrose octaacetate having a melting point higher than the present maximum of 84.0° C. Also, a simplified nonproprietary name was developed for Bitrex and the American Pharmaceutical Association has published revised specifications for Bitrex in the National Formulary under the name of denatonium benzoate. In view of this, the name and specifications so assigned to this substance are adopted. These changes are reflected in §§ 212.58, 212.69a, and 212.94, 212.110, and 212.115.

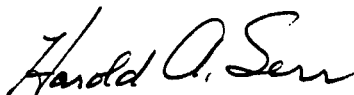
Specific gravity specification of wood alcohol. The Treasury decision changes the specification for specific gravity of wood alcohol authorized for use in denaturing ethyl alcohol. The minimum specific gravity authorized is changed to 0.8072 from 0.8198. The amendment will make it possible for industry to produce a greater volume of wood alcohol from the destructive distillation of wood and thus help to forestall an indicated shortage of this denaturant. This change is made in § 212.96.

Miscellaneous changes. Information received from industry members indicated that the statement "(for rubber processing)" following "Code 530 Ethylamines," and the statement "(ethylamines)" following "Code 540 Dyes and intermediates," have created some misunderstanding among readers of our statistical reports. As these parenthetical statements were intended to be examples, not restrictions, and as they are causing some confusion in the industry, they are deleted. These deletions are made in §§ 212.16, 212.17, 212.18, 212.19, 212.23, 212.39, 212.46, and 212.105.

Currently, footnote 2 of the table in § 212.105 states that formulas other than Formulas Nos. 3-A and 30 may be authorized for laboratory use in connection with specific product development. It has been found that it would benefit industry and the Government to be more positive about this by providing that they are authorized for this use, thus obviating the need for a special application in each instance when a laboratory wishes to use these formulas in specific product development. This change is made in § 212.105.

Minor editorial changes have been made in §§ 212.3, 212.48, 212.55, and 212.115 to correct printing errors and omissions, and for clarification.

Inquiries. Inquiries regarding this circular should refer to its number and be addressed to your Assistant Regional Commissioner, Alcohol and Tobacco Tax.



Harold A. Serr
Director, Alcohol and Tobacco Tax Division